

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE

*Amended*

SEC FILE NUMBER

8-52259

APR 8 2004

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING

01/01/03

MM/DD/YY

AND ENDING

12/31/03

MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Doughty Hanson &amp; Co. Securities Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

152 West 57th St, 47th Floor

(No. and Street)

New York

(City)

NY

(State)

10019

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Richard Lund

(212) 641-3729

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers

(Name - If individual, state last, first middle name)

1177 Avenue of the Americas

(Address)

New York

(City)

NY

(State)

10036

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 28 2004

THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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474  
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## OATH OR AFFIRMATION

I, Richard Lund, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Doughty Hanson & Co. Securities Inc., as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

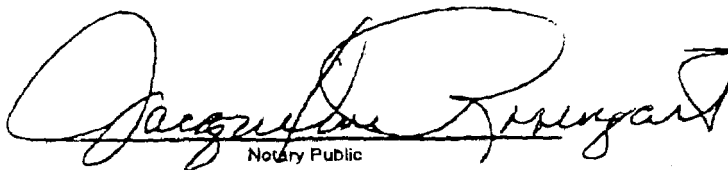
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Signature

Chief Financial Officer

Title



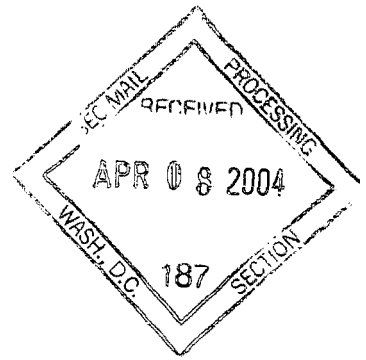
Notary Public

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**JACQUELINE ROSENGART**  
 Notary Public, State of New York  
 No. 01R05067454  
 Qualified in Suffolk County  
 Commission Expires Nov 3, 2004

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



# **Doughty Hanson & Co. Securities Inc.**

(An indirect wholly owned subsidiary of Doughty Hanson  
& Co. Limited)

**Statement of Financial Condition**  
**December 31, 2003**

**Page(s)**

**Report of Independent Auditors .....**1

**Financial Statements**

Statement of Financial Condition.....2

Notes to Statement of Financial Condition.....3-4

PricewaterhouseCoopers LLP  
1177 Avenue of the Americas  
New York NY 10036  
Telephone (646) 471 4000  
Facsimile (813) 286 6000

**Report of Independent Auditors**

To the Board of Directors  
and Stockholder of  
Doughty Hanson & Co. Securities Inc.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Doughty Hanson & Co. Securities Inc. (the "Company") at December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



February 25, 2004, except Footnote 3  
as to which the date is March 22, 2004.

**Doughty Hanson & Co. Securities Inc.**

(An indirect wholly owned subsidiary of Doughty Hanson &amp; Co. Limited)

**Statement of Financial Condition****December 31, 2003****Assets**

Cash and cash equivalents	\$ 115,975
Receivable from affiliates	547,438
Fixed assets and leasehold improvements, net of accumulated depreciation and amortization of \$79,868	11,650
Deferred tax asset	9,739
Other assets	11,658
Total assets	<u>\$ 696,460</u>

**Liabilities and stockholder's equity**

Accrued employee compensation and benefits	\$ 185,200
Accounts payable and accrued expenses	59,289
Total liabilities	<u>244,489</u>

**Commitments and contingencies****Stockholder's equity**

Common stock, \$1.00 par value, 3,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid in capital	148,238
Accumulated profit	302,733
Total stockholder's equity	<u>451,971</u>
Total liabilities and stockholder's equity	<u>\$ 696,460</u>

The accompanying notes are an integral part of this statement of financial condition.

**1. Organization and Significant Accounting Policies**

Doughty Hanson & Co. Securities Inc. (the "Company") has been registered as a securities brokerage firm with the Securities and Exchange Commission and as a member of the National Association of Securities Dealers, Inc. ("NASD") since June 28, 2000. Upon registration, the Company commenced activity in 2000 engaging in private placements of securities, and financial advisory and other consulting services in connection with private placements and other corporate transactions. The Company is a wholly owned subsidiary of Doughty Hanson & Co. Holdings, Inc. (the "Parent") which in turn is a wholly owned subsidiary of Doughty Hanson & Co Limited (the "Ultimate Parent"), a U.K. holding company.

**Cash and Cash Equivalents**

The Company's cash equivalents consist of a certificate of deposit with a maturity of less than three months.

**Depreciation and Amortization**

Depreciation is provided on a straight line basis generally using estimated useful lives of up to five years.

**Income Taxes**

The Company recognizes both the current and deferred tax consequences of all transactions recognized in the financial statements, calculated based upon on the provisions of enacted tax laws, including the tax rates in effect for the current and future years. Deferred income taxes are provided for the temporary differences between the financial statement and tax basis of assets and liabilities. Valuation allowances are established for deferred tax assets when it is more likely than not that they will not be realized.

Tax benefits are recognized to the extent that it more likely than not that they will be utilized in the consolidated tax returns of the Parent.

**Estimates**

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Fixed Assets**

Fixed assets are comprised of the following:

Artwork	\$ 6,650
Equipment (computers and telephones)	15,392
Furniture & fixtures	<u>69,476</u>
	91,518
Less: accumulated depreciation and amortization	<u>79,868</u>
Total fixed assets and leasehold improvements	<u>\$ 11,650</u>

**Doughty Hanson & Co. Securities Inc.**  
(An indirect wholly owned subsidiary of Doughty Hanson & Co. Limited)  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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The above table represents depreciable assets. During the year, \$24,242 of equipment was fully depreciated and is not reflected above.

**3. Net Capital Requirements**

As a registered broker-dealer, the Company is subject to Rule 15c3-1 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2003, the Company had a regulatory net capital deficit of \$128,514 as compared to its minimum requirement of \$16,299. This deficiency existed until February 25, 2004, at that date the parent repaid an intercompany balance of \$400,000. On February 25, 2004, the net capital of the Company was in excess of required net capital.

**4. Income Taxes**

Deferred income taxes of \$9,739 arise due to temporary differences between the financial statement and tax basis of fixed asset depreciation. No deferred tax asset valuation allowance has been established since, based upon available evidence, it appears more likely than not that the deferred tax asset will be realized.

**5. Fair Value of Financial Instruments**

Management estimates that the fair value of the financial instruments recognized on the statement of financial condition (including receivables, payables and accrued expenses) approximates their carrying values as such financial instruments are short-term in nature, or bear interest at current market rates.

**6. Subsequent Event**

In February 2004, the Ultimate Parent decided to restructure the United States operations of the Parent and the Company (collectively "Doughty Hanson"). It proposed to consolidate the corporate structure of Doughty Hanson by a merger of the Parent and the Company with the Company remaining as the surviving entity, and wholly owned by the Ultimate Parent. This reorganization is not expected to have a material impact on the operations of the Company.